

**CITY OF UPLAND
PROFESSIONAL SERVICES AGREEMENT**

This Agreement is made and entered into as of April 26, 2021 ("Effective Date") by and between the City of Upland, a public agency organized and operating under the laws of the State of California with its principal place of business at 460 N. Euclid Avenue, Upland, CA 91786 ("City"), and Urban Futures Inc., a California corporation with its principal place of business at 17821 E. 17th Street, Suite 245, Tustin CA 92780 (hereinafter referred to as "Consultant"). City and Consultant are sometimes individually referred to as "Party" and collectively as "Parties" in this Agreement.

RECITALS

A. City is a public agency of the State of California and is in need of professional services for the following project: Municipal Advisor Services for Pension Obligation Bonds (hereinafter referred to as "the Project").

B. Consultant is duly licensed and has the necessary qualifications to provide such services.

C. The Parties desire by this Agreement to establish the terms for City to retain Consultant to provide the services described herein.

AGREEMENT

NOW, THEREFORE, IT IS AGREED AS FOLLOWS:

1. Services.

Consultant shall provide the City with the services described in the Scope of Services attached hereto as Exhibit "A."

2. Compensation.

a. Subject to paragraph 2(b) below, the City shall pay for such services in accordance with the Schedule of Charges set forth in Exhibit "B."

b. In no event shall the total amount paid for services rendered by Consultant under this Agreement shall not exceed the sum of \$62,500. This amount includes out-of-pocket expenses as further described in Exhibit "B".

c. The City Manager may approve Additional Work, as further defined in Section 3, up to ten percent (10%) of the amount of the Agreement or fifty thousand dollars (\$50,000.00). In no event shall the total sum of the agreement (original compensation amount and Additional Work) exceed fifty thousand dollars (\$50,000.00). Any additional work in excess of this amount shall be approved by the City Council.

3. Additional Work.

If changes in the work seem merited by Consultant or the City, and informal consultations with the other party indicate that a change is warranted, it shall be processed in the following

manner: a letter outlining the changes shall be forwarded to the City by Consultant with a statement of estimated changes in fee or time schedule. An amendment to this Agreement shall be prepared by the City and executed by both Parties before performance of such services, or the City will not be required to pay for the changes in the scope of work. Such amendment shall not render ineffective or invalidate unaffected portions of this Agreement.

4. Maintenance of Records.

Books, documents, papers, accounting records, and other evidence pertaining to costs incurred shall be maintained by Consultant and made available at all reasonable times during the contract period and for four (4) years from the date of final payment under the contract for inspection by City.

5. Term.

The term of this Agreement shall be from the Effective Date to December 31, 2023, unless earlier terminated as provided herein. The Parties may, by mutual, written consent, extend the term of this Agreement if necessary to complete the Project. Consultant shall perform its services in a prompt and timely manner within the term of this Agreement and shall commence performance upon receipt of written notice from the City to proceed ("Notice to Proceed"). The Notice to Proceed shall set forth the date of commencement of work.

6. Delays in Performance.

a. Neither City nor Consultant shall be considered in default of this Agreement for delays in performance caused by circumstances beyond the reasonable control of the non-performing party. For purposes of this Agreement, such circumstances include but are not limited to, abnormal weather conditions; floods; earthquakes; fire; epidemics; pandemics; war; riots and other civil disturbances; strikes, lockouts, work slowdowns, and other labor disturbances; sabotage or judicial restraint.

b. Should such circumstances occur, the non-performing party shall, within a reasonable time of being prevented from performing, give written notice to the other party describing the circumstances preventing continued performance and the efforts being made to resume performance of this Agreement.

7. Compliance with Law.

a. Consultant shall comply with all applicable laws, ordinances, codes and regulations of the federal, state and local government, including Cal/OSHA requirements.

b. If required, Consultant shall assist the City, as requested, in obtaining and maintaining all permits required of Consultant by federal, state and local regulatory agencies.

c. If applicable, Consultant is responsible for all costs of clean up and/ or removal of hazardous and toxic substances spilled as a result of his or her services or operations performed under this Agreement.

8. Standard of Care

Consultant's services will be performed in accordance with generally accepted professional practices and principles and in a manner consistent with the level of care and skill ordinarily exercised by members of the profession currently practicing under similar conditions.

9. Assignment and Subconsultant

Consultant shall not assign, sublet, or transfer this Agreement or any rights under or interest in this Agreement without the written consent of the City, which may be withheld for any reason. Any attempt to so assign or so transfer without such consent shall be void and without legal effect and shall constitute grounds for termination. Subcontracts, if any, shall contain a provision making them subject to all provisions stipulated in this Agreement. Nothing contained herein shall prevent Consultant from employing independent associates, and subconsultants as Consultant may deem appropriate to assist in the performance of services hereunder.

10. Independent Contractor

Consultant is retained as an independent contractor and is not an employee of City. No employee or agent of Consultant shall become an employee of City. The work to be performed shall be in accordance with the work described in this Agreement, subject to such directions and amendments from City as herein provided.

a. PERS Eligibility Indemnification

In the event that Consultant or any employee, agent, or subcontractor of Consultant providing services under this Agreement claims or is determined by a court of competent jurisdiction or the California Public Employees Retirement System ("PERS") to be eligible for enrollment in PERS as an employee of the City, Consultant shall indemnify, defend, and hold harmless City for the payment of any employee and/or employer contributions for PERS benefits on behalf of Consultant or its employees, agents, or subcontractors, as well as for the payment of any penalties and interest on such contributions, which would otherwise be the responsibility of City.

11. Insurance. Consultant shall not commence work for the City until it has provided evidence satisfactory to the City it has secured all insurance required under this section. In addition, Consultant shall not allow any subcontractor to commence work on any subcontract until it has secured all insurance required under this section.

a. Commercial General Liability

(i) The Consultant shall take out and maintain, during the performance of all work under this Agreement, in amounts not less than specified herein, Commercial General Liability Insurance, in a form and with insurance companies acceptable to the City.

(ii) Coverage for Commercial General Liability insurance shall be at least as broad as the following:

(1) Insurance Services Office Commercial General Liability coverage (Occurrence Form CG 00 01) or exact equivalent.

(iii) Commercial General Liability Insurance must include coverage for the following:

- (1) Bodily Injury and Property Damage
- (2) Personal Injury/Advertising Injury
- (3) Premises/Operations Liability
- (4) Products/Completed Operations Liability
- (5) Aggregate Limits that Apply per Project
- (6) Explosion, Collapse and Underground (UCX) exclusion deleted
- (7) Contractual Liability with respect to this Agreement
- (8) Property Damage
- (9) Independent Contractors Coverage

(iv) The policy shall contain no endorsements or provisions limiting coverage for (1) contractual liability; (2) cross liability exclusion for claims or suits by one insured against another; (3) products/completed operations liability; or (4) contain any other exclusion contrary to the Agreement.

(v) The policy shall give City, its officials, officers, employees, agents and City designated volunteers additional insured status using ISO endorsement forms CG 20 10 10 01 and 20 37 10 01, or endorsements providing the exact same coverage.

(vi) The general liability program may utilize either deductibles or provide coverage excess of a self-insured retention, subject to written approval by the City, and provided that such deductibles shall not apply to the City as an additional insured.

b. Automobile Liability

(i) At all times during the performance of the work under this Agreement, the Consultant shall maintain Automobile Liability Insurance for bodily injury and property damage including coverage for owned, non-owned and hired vehicles, in a form and with insurance companies acceptable to the City.

(ii) Coverage for automobile liability insurance shall be at least as broad as Insurance Services Office Form Number CA 00 01 covering automobile liability (Coverage Symbol 1, any auto).

(iii) The policy shall give City, its officials, officers, employees, agents and City designated volunteers additional insured status.

(iv) Subject to written approval by the City, the automobile liability program may utilize deductibles, provided that such deductibles shall not apply to the City as an additional insured, but not a self-insured retention.

c. Workers' Compensation/Employer's Liability

(i) Consultant certifies that he/she is aware of the provisions of Section 3700 of the California Labor Code which requires every employer to be insured against liability for workers' compensation or to undertake self-insurance in accordance with the provisions of that code, and he/she will comply with such provisions before commencing work under this Agreement.

(ii) To the extent Consultant has employees at any time during the term of this Agreement, at all times during the performance of the work under this Agreement, the Consultant shall maintain full compensation insurance for all persons employed directly by him/her to carry out the work contemplated under this Agreement, all in accordance with the "Workers' Compensation and Insurance Act," Division IV of the Labor Code of the State of California and any acts amendatory thereof, and Employer's Liability Coverage in amounts indicated herein. Consultant shall require all subconsultants to obtain and maintain, for the period required by this Agreement, workers' compensation coverage of the same type and limits as specified in this section.

d. Professional Liability (Errors and Omissions)

At all times during the performance of the work under this Agreement the Consultant shall maintain professional liability or Errors and Omissions insurance appropriate to its profession, in a form and with insurance companies acceptable to the City and in an amount indicated herein. This insurance shall be endorsed to include contractual liability applicable to this Agreement and shall be written on a policy form specifically designed to protect against acts, errors or omissions of the Consultant. "Covered Professional Services" as designated in the policy must specifically include work performed under this Agreement. The policy must "pay on behalf of" the insured and must include a provision establishing the insurer's duty to defend.

e. Minimum Policy Limits Required

(i) The following insurance limits are required for the Agreement:

Combined Single Limit

Commercial General Liability	\$1,000,000 per occurrence/ \$2,000,000 aggregate for bodily injury, personal injury, and property damage
Automobile Liability	\$1,000,000 combined single limit
Employer's Liability	\$1,000,000 per accident or disease
Professional Liability	\$1,000,000 per claim and aggregate (errors and omissions)

(ii) Defense costs shall be payable in addition to the limits.

(iii) Requirements of specific coverage or limits contained in this section are not intended as a limitation on coverage, limits, or other requirement, or a waiver of any coverage normally provided by any insurance. Any available coverage shall be provided to the parties required to be named as Additional Insured pursuant to this Agreement.

f. Evidence Required

Prior to execution of the Agreement, the Consultant shall file with the City evidence of insurance from an insurer or insurers certifying to the coverage of all insurance required herein. Such evidence shall include original copies of the ISO CG 00 01 (or insurer's equivalent) signed by the insurer's representative and Certificate of Insurance (Acord Form 25-S or

equivalent), together with required endorsements. All evidence of insurance shall be signed by a properly authorized officer, agent, or qualified representative of the insurer and shall certify the names of the insured, any additional insureds, where appropriate, the type and amount of the insurance, the location and operations to which the insurance applies, and the expiration date of such insurance.

g. Policy Provisions Required

(i) Consultant shall provide the City at least thirty (30) days prior written notice of cancellation of any policy required by this Agreement, except that the Consultant shall provide at least ten (10) days prior written notice of cancellation of any such policy due to non-payment of premium. If any of the required coverage is cancelled or expires during the term of this Agreement, the Consultant shall deliver renewal certificate(s) including the General Liability Additional Insured Endorsement to the City at least ten (10) days prior to the effective date of cancellation or expiration.

(ii) The Commercial General Liability Policy and Automobile Policy shall each contain a provision stating that Consultant's policy is primary insurance and that any insurance, self-insurance or other coverage maintained by the City or any named insureds shall not be called upon to contribute to any loss.

(iii) The retroactive date (if any) of each policy is to be no later than the effective date of this Agreement. Consultant shall maintain such coverage continuously for a period of at least three years after the completion of the work under this Agreement. Consultant shall purchase a one (1) year extended reporting period A) if the retroactive date is advanced past the effective date of this Agreement; B) if the policy is cancelled or not renewed; or C) if the policy is replaced by another claims-made policy with a retroactive date subsequent to the effective date of this Agreement.

(iv) All required insurance coverages, except for the professional liability coverage, shall contain or be endorsed to provide a waiver of subrogation in favor of the City, its officials, officers, employees, agents, and volunteers or shall specifically allow Consultant or others providing insurance evidence in compliance with these specifications to waive their right of recovery prior to a loss. Consultant hereby waives its own right of recovery against City, and shall require similar written express waivers and insurance clauses from each of its subconsultants.

(v) The limits set forth herein shall apply separately to each insured against whom claims are made or suits are brought, except with respect to the limits of liability. Further the limits set forth herein shall not be construed to relieve the Consultant from liability in excess of such coverage, nor shall it limit the Consultant's indemnification obligations to the City and shall not preclude the City from taking such other actions available to the City under other provisions of the Agreement or law.

h. Qualifying Insurers

(i) All policies required shall be issued by acceptable insurance companies, as determined by the City, which satisfy the following minimum requirements:

(1) Each such policy shall be from a company or companies with a current A.M. Best's rating of no less than A:VII and admitted to transact in the

business of insurance in the State of California, or otherwise allowed to place insurance through surplus line brokers under applicable provisions of the California Insurance Code or any federal law.

i. Additional Insurance Provisions

(i) The foregoing requirements as to the types and limits of insurance coverage to be maintained by Consultant, and any approval of said insurance by the City, is not intended to and shall not in any manner limit or qualify the liabilities and obligations otherwise assumed by the Consultant pursuant to this Agreement, including but not limited to, the provisions concerning indemnification.

(ii) If at any time during the life of the Agreement, any policy of insurance required under this Agreement does not comply with these specifications or is canceled and not replaced, City has the right but not the duty to obtain the insurance it deems necessary and any premium paid by City will be promptly reimbursed by Consultant or City will withhold amounts sufficient to pay premium from Consultant payments. In the alternative, City may cancel this Agreement.

(iii) The City may require the Consultant to provide complete copies of all insurance policies in effect for the duration of the Project.

(iv) Neither the City nor any of its officials, officers, employees, agents or volunteers shall be personally responsible for any liability arising under or by virtue of this Agreement.

j. Subconsultant Insurance Requirements. Consultant shall not allow any subcontractors or subconsultants to commence work on any subcontract until they have provided evidence satisfactory to the City that they have secured all insurance required under this section. Policies of commercial general liability insurance provided by such subcontractors or subconsultants shall be endorsed to name the City as an additional insured using ISO form CG 20 38 04 13 or an endorsement providing the exact same coverage. If requested by Consultant, City may approve different scopes or minimum limits of insurance for particular subcontractors or subconsultants.

12. Indemnification.

a. To the fullest extent permitted by law, Consultant shall defend (with counsel of City's choosing), indemnify and hold the City, its officials, officers, employees, volunteers, and agents free and harmless from any and all claims, demands, causes of action, costs, expenses, liability, loss, damage or injury of any kind, in law or equity, to property or persons, including wrongful death, in any manner arising out of, pertaining to, or incident to any acts, errors or omissions, or willful misconduct of Consultant, its officials, officers, employees, subcontractors, consultants or agents in connection with the performance of the Consultant's services, the Project or this Agreement, including without limitation the payment of all damages, expert witness fees and attorney's fees and other related costs and expenses. Consultant's obligation to indemnify shall not be restricted to insurance proceeds, if any, received by Consultant, the City, its officials, officers, employees, agents, or volunteers.

b. If Consultant's obligation to defend, indemnify, and/or hold harmless arises out of Consultant's performance of "design professional" services (as that term is defined under

Civil Code section 2782.8), then, and only to the extent required by Civil Code section 2782.8, which is fully incorporated herein, Consultant's indemnification obligation shall be limited to claims that arise out of, pertain to, or relate to the negligence, recklessness, or willful misconduct of the Consultant, and, upon Consultant obtaining a final adjudication by a court of competent jurisdiction, Consultant's liability for such claim, including the cost to defend, shall not exceed the Consultant's proportionate percentage of fault.

13. California Labor Code Requirements.

a. Consultant is aware of the requirements of California Labor Code Sections 1720 et seq. and 1770 et seq., which require the payment of prevailing wage rates and the performance of other requirements on certain "public works" and "maintenance" projects ("Prevailing Wage Laws"). If the services are being performed as part of an applicable "public works" or "maintenance" project, as defined by the Prevailing Wage Laws, and if the total compensation is \$1,000 or more, Consultant agrees to fully comply with such Prevailing Wage Laws. Consultant shall defend, indemnify and hold the City, its officials, officers, employees and agents free and harmless from any claims, liabilities, costs, penalties or interest arising out of any failure or alleged failure to comply with the Prevailing Wage Laws. It shall be mandatory upon the Consultant and all subconsultants to comply with all California Labor Code provisions, which include but are not limited to prevailing wages (Labor Code Sections 1771, 1774 and 1775), employment of apprentices (Labor Code Section 1777.5), certified payroll records (Labor Code Sections 1771.4 and 1776), hours of labor (Labor Code Sections 1813 and 1815) and debarment of contractors and subcontractors (Labor Code Section 1777.1). The requirement to submit certified payroll records directly to the Labor Commissioner under Labor Code section 1771.4 shall not apply to work performed on a public works project that is exempt pursuant to the small project exemption specified in Labor Code Section 1771.4.

b. If the services are being performed as part of an applicable "public works" or "maintenance" project, then pursuant to Labor Code Sections 1725.5 and 1771.1, the Consultant and all subconsultants performing such services must be registered with the Department of Industrial Relations. Consultant shall maintain registration for the duration of the Project and require the same of any subconsultants, as applicable. Notwithstanding the foregoing, the contractor registration requirements mandated by Labor Code Sections 1725.5 and 1771.1 shall not apply to work performed on a public works project that is exempt pursuant to the small project exemption specified in Labor Code Sections 1725.5 and 1771.1.

c. This Agreement may also be subject to compliance monitoring and enforcement by the Department of Industrial Relations. It shall be Consultant's sole responsibility to comply with all applicable registration and labor compliance requirements. Any stop orders issued by the Department of Industrial Relations against Consultant or any subcontractor that affect Consultant's performance of services, including any delay, shall be Consultant's sole responsibility. Any delay arising out of or resulting from such stop orders shall be considered Consultant caused delay and shall not be compensable by the City. Consultant shall defend, indemnify and hold the City, its officials, officers, employees and agents free and harmless from any claim or liability arising out of stop orders issued by the Department of Industrial Relations against Consultant or any subcontractor.

14. Verification of Employment Eligibility.

By executing this Agreement, Consultant verifies that it fully complies with all requirements and restrictions of state and federal law respecting the employment of undocumented aliens,

including, but not limited to, the Immigration Reform and Control Act of 1986, as may be amended from time to time, and shall require all subconsultants and sub-subconsultants to comply with the same.

15. Reserved.

16. Laws and Venue.

This Agreement shall be interpreted in accordance with the laws of the State of California. If any action is brought to interpret or enforce any term of this Agreement, the action shall be brought in a state or federal court situated in the County of San Bernardino, State of California.

17 Termination or Abandonment

a. City has the right to terminate or abandon any portion or all of the work under this Agreement by giving ten (10) calendar days written notice to Consultant. In such event, City shall be immediately given title and possession to all original field notes, drawings and specifications, written reports and other documents produced or developed for that portion of the work completed and/or being abandoned. City shall pay Consultant the reasonable value of services rendered for any portion of the work completed prior to termination. If said termination occurs prior to completion of any task for the Project for which a payment request has not been received, the charge for services performed during such task shall be the reasonable value of such services, based on an amount mutually agreed to by City and Consultant of the portion of such task completed but not paid prior to said termination. City shall not be liable for any costs other than the charges or portions thereof which are specified herein. Consultant shall not be entitled to payment for unperformed services, and shall not be entitled to damages or compensation for termination of work.

b. Consultant may terminate its obligation to provide further services under this Agreement upon thirty (30) calendar days' written notice to City only in the event of substantial failure by City to perform in accordance with the terms of this Agreement through no fault of Consultant.

18 Documents. Except as otherwise provided in "Termination or Abandonment," above, all original field notes, written reports, Drawings and Specifications and other documents, produced or developed for the Project shall, upon payment in full for the services described in this Agreement, be furnished to and become the property of the City.

19. Organization

Consultant shall assign Michael Busch as Project Manager. The Project Manager shall not be removed from the Project or reassigned without the prior written consent of the City.

20. Limitation of Agreement.

This Agreement is limited to and includes only the work included in the Project described above.

21. Notice

Any notice or instrument required to be given or delivered by this Agreement may be given or delivered by depositing the same in any United States Post Office, certified mail, return receipt requested, postage prepaid, addressed to:

DISTRICT:

City of Upland

460 N. Euclid Avenue

Upland, CA 91786

Attn: Stephen Parker, Acting City Manager

CONSULTANT:

Urban Futures, Inc.

17821 E. 17th Street, Suite 245

Tustin, CA 92780

Attn: Michael Busch, Chief Executive Officer

and shall be effective upon receipt thereof.

22. Third Party Rights

Nothing in this Agreement shall be construed to give any rights or benefits to anyone other than the City and the Consultant.

23. Equal Opportunity Employment

Consultant represents that it is an equal opportunity employer and that it shall not discriminate against any employee or applicant for employment because of race, religion, color, national origin, ancestry, sex, age or other interests protected by the State or Federal Constitutions. Such non-discrimination shall include, but not be limited to, all activities related to initial employment, upgrading, demotion, transfer, recruitment or recruitment advertising, layoff or termination.

24. Entire Agreement

This Agreement, with its exhibits, represents the entire understanding of City and Consultant as to those matters contained herein, and supersedes and cancels any prior or contemporaneous oral or written understanding, promises or representations with respect to those matters covered hereunder. Each Party acknowledges that no representations, inducements, promises or agreements have been made by any person which are not incorporated herein, and that any other agreements shall be void. This Agreement may not be modified or altered except in writing signed by both Parties hereto. This is an integrated Agreement.

25. Severability

The unenforceability, invalidity or illegality of any provision(s) of this Agreement shall not render the remaining provisions unenforceable, invalid or illegal.

26. Successors and Assigns

This Agreement shall be binding upon and shall inure to the benefit of the successors in interest, executors, administrators and assigns of each Party to this Agreement. However, Consultant shall not assign or transfer by operation of law or otherwise any or all of its rights, burdens, duties or obligations without the prior written consent of City. Any attempted assignment without such consent shall be invalid and void.

27. Non-Waiver

None of the provisions of this Agreement shall be considered waived by either Party, unless such waiver is specifically specified in writing.

28. Time of Essence

Time is of the essence for each and every provision of this Agreement.

29. City's Right to Employ Other Consultants

City reserves its right to employ other consultants, including engineers, in connection with this Project or other projects.

30. Prohibited Interests

Consultant maintains and warrants that it has not employed nor retained any company or person, other than a bona fide employee working solely for Consultant, to solicit or secure this Agreement. Further, Consultant warrants that it has not paid nor has it agreed to pay any company or person, other than a bona fide employee working solely for Consultant, any fee, commission, percentage, brokerage fee, gift or other consideration contingent upon or resulting from the award or making of this Agreement. For breach or violation of this warranty, City shall have the right to rescind this Agreement without liability. For the term of this Agreement, no director, official, officer or employee of City, during the term of his or her service with City, shall have any direct interest in this Agreement, or obtain any present or anticipated material benefit arising therefrom.

31. Reserved

[SIGNATURES ON FOLLOWING PAGE]

**SIGNATURE PAGE FOR PROFESSIONAL SERVICES AGREEMENT
BETWEEN CITY OF UPLAND
AND URBAN FUTURES, INC.**

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first written above.

CITY OF UPLAND

By: _____



Stephen Parker
Acting City Manager

URBAN FUTURES, INC.

By: _____

Its: _____

Printed Name: _____


ATTEST:

By: _____


Keri Johnson
City Clerk

EXHIBIT A
Scope of Services

URBAN FUTURES, INC.
Public Finance Group
Public Management Group

Southern California Office

17821 E. 17th Street, Suite 245
Tustin, CA 92780
Bus: (714) 283-9334
Fax: (714) 283-5465
Contact: Michael Busch, CEO

Northern California Office

1470 Maria Lane, Suite 315
Walnut Creek, CA 94596
Bus: (925) 478-7450
Fax: (925) 478-7697

City of Upland

Proposal to Provide Municipal Advisor Services for Pension Obligation Bonds



March 31, 2021

Transmittal Letter

Stephen Parker, CPA
Assistant City Manager
460 N. Euclid Avenue
Upland, California 91786

Re: RFP for Municipal Advisor Services for Pension Obligation Bonds

Dear Stephen:

Urban Futures, Inc. (UFI) is pleased to submit this proposal to provide municipal advisory services to assist the City of Upland (the City) with the issuance of Pension Obligation Bonds (POBs). We have been honored to serve the City with services to analyze the City's pension liability, provide potential strategies to mitigate their liability and presenting this information to the City's Finance Committee and City Council. The following is a summary of our distinguishing expertise and services related to pensions:

- **Industry Leader:** UFI has in-depth understanding of pension liabilities, POBs, and CalPERS' administrative processes. As a result, UFI is hired to evaluate a variety of pension-related issues (not just financing solutions like POBs), including: Additional Discretionary Payments (ADP) strategies, Unfunded Accrued Liability (UAL) base projections, impact of salary increases on UAL, education workshops, exiting CalPERS, pay-offs, and fund exchange strategies.
- **Comprehensive Approach:** We do not start with the conclusion to issue pension obligation bonds, but rather with the objective to minimize their use. UFI evaluates our clients' entire balance sheet and all available resources. We have developed multiple funding strategies in addition to POBs and deliver customized Pension Funding Plans to address our clients' current and future UAL payments.
- **Unmatched Technical Expertise:** UFI has more pension advisory experience than any other firm in California. We are the only Municipal Advisor in California that has a dedicated full-time person addressing pension/OPEB related issues. We build customized pension models that allow us to develop complex scenarios, projections, and specific base-by-base recommendations; and we run a Monte Carlo risk simulation in house.
- **Evaluate & Understand Risk:** POBs provide a very compelling economic option. However, they are not without risk. UFI analyzes and quantifies risks by performing Risk/Scenario Analysis and Monte Carlo Simulation, and we provide risk mitigation strategies.
- **Top Ranked Municipal Advisor:** UFI has ranked as the top municipal advisory firm in California for the past four consecutive years as measured by the number of deals completed. *We are also ranked #1 for Pension Obligation Bonds and General Fund Debt.*

Top Municipal Advisors for California Municipal Bonds
2020 Financial Advisor Rankings

Rank	Firm	No. of Issues	Par (\$MM)
1	Urban Futures Inc	162	\$3,753.4
2	Fieldman Rolapp & Associates	109	3,882.9
3	KNN Public Finance	82	10,151.0
4	PFM Financial Advisors LLC	44	3,335.6
5	Public Resources Advisory Group	40	13,835.9

Top Municipal Advisors for Pension Obligation Bonds
2017 - 2020 Financial Advisor Rankings (California)

Rank	Firm	No. of Issues	Par (\$MM)
1	Urban Futures Inc	14	\$1,482.2
2	NHA Advisors	9	1,647.2
3	Harrell & Co. Advisors	4	453.0
4	Wulff Hansen	4	63.8
5	Columbia Capital	3	739.8

- **Pricing Results:** As the leading financial advisor in the State, UFI is in the market virtually every week, *advising on more bond sales than any other firm*. We have a proven track record of advocating on behalf of our clients to extract every basis point of savings. Our unmatched experience with California POBs translates to a thorough understanding of the current POB market and allows us to convincingly push back on underwriters' proposed pricings.
- **Credit Expertise:** The rating process is critical for the issuance of POBs, especially during these unprecedented times. UFI has extensive experience in developing the narrative for the issuance of POBs that demonstrates a thorough understanding of how rating agencies view unfunded pension liabilities and rating metrics for POBs.
- **Stakeholder Education:** In our experience, we have found that the education process with stakeholders is as important as the technical analysis. UFI has a depth of experience presenting to City Councils, Committees, Tax Associations, and other stakeholder groups. UFI has the ability to convey complex terms in simple to understand concepts. We are committed to making ourselves available to meet with the City and its constituents as often as needed.

Working with the City is of highest priority to the firm, and we are committed to dedicating as much of the firm's resources to the City's assignments, as necessary. We have no exceptions and are prepared to enter a contract under the terms and conditions prescribed by the City's Professional Services Agreement.

Sincerely,



Michael Busch, Chief Executive Officer (Primary Contact)
17821 East 17th Street, Suite 245
Tustin, CA 92780
Michaelb@urbanfuturesinc.com
Office: (714) 283-9334 Cell: (714) 316-6150

Proposal Contents

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1. Description

Since 1972, UFI has provided municipal advisory services to hundreds of California cities, counties, special districts, schools, community colleges, and non-profits. We are registered as an Independent Registered Municipal Advisor (IRMA) with the Municipal Securities Rulemaking Board (MSRB) and the Securities and Exchange Commission (SEC).

UFI is staffed with 18 professionals in two California office locations: Tustin (9) and Walnut Creek (9). UFI has been doing business for the past 49 years under the same name and has been wholly owned by Michael Busch, Chief Executive Officer, for the last 6 years. The firm is structured as a C-Corporation and is headquartered in Tustin, CA. Our financial advisory professionals have passed the MSRB Series 50 Municipal Advisor Representative examination.

UFI is a California-based, California-focused firm. What differentiates us from our peers is the comprehensive municipal services that we provide to our clients, making us a “one-stop shop” for financial solutions. Rather than seeking different consultants to address discrete financial issues on a piecemeal basis, clients engage our firm to provide them with services ranging from municipal advisory assignments for issuance of bonds, post debt issuance compliance reporting as well as pension and financial forecast modeling.

UFI provides these services through its three main divisions:

- **Public Finance Group** supports the issuance of debt including pension obligation bonds, water and wastewater revenue bonds, general obligation bonds, special tax and benefit assessment bonds, tax allocation bonds, lease revenue bonds/certificates of participation, and privately placed loans. We help staff evaluate and implement various financing options for priority projects (including bonds, revolving lines of credit, and State and Federal loan programs) and monitor refinancing opportunities.
- **Public Management Group¹** offers financial health evaluation, financial forecasting, fiscal sustainability planning, special studies, and performance improvement services, including pension & OPEB modeling.
- **Analytics and Compliance Group** provides services related to post-issuance compliance, including continuing disclosure, arbitrage rebate, and CDIAC reporting compliance.

Our clients have put their trust in UFI over its 49-year history. In many cases, UFI has been on the leading edge of municipal advisory activities and public finance management. In anticipation of the impact of growing pension liabilities on municipal budgets, UFI created the Pension Focus Group in 2017 comprised of two dozen municipal agencies, UFI and CalPERS staff. As the leader in pension analysis and modeling, UFI has been engaged by several municipalities to prepare 10-year financial forecasts and a new fiscal health evaluation tool, Fiscal 360, with the goal of charting the fiscal course, which includes debt management, through what is believed to be a challenging period for public agencies ahead.

2. Pension Experience

We believe that addressing rising retirement costs will be the most significant financial issue that most municipal employees and elected officials will face in their careers. This problem is complex and involves many financial and legal/administrative intricacies. We have found that this issue requires a significant education process and concurrent with the development of strategy funding options before buy-in can be achieved for a recommended solution. UFI believes that this education process is so critical that we highlighted it as a key step in the proposal.

The City has passed a key milestone, in deciding to commence with the validation proceeding. Although the City has conducted a few special meetings/workshops, we are still at the initial phase in the process - the difficult

¹ Non-municipal advisory services

questions are yet to be answered. We anticipate that the City will continue to need to perform additional analysis and hold additional meetings. With transparency and education in mind, we recommend the City consider the development of a webpage dedicated to this effort. UFI will work with City's IT department to help develop the content of the page along with any necessary charts and graphs to reinforce the pension and POB concepts.

We believe that our quantitative capabilities, comprehensive understanding of the pension issues and in-depth knowledge of CalPERS actuarial and administrative process distinguish us from our competitors. This experience becomes evidenced when we conduct a Council Workshop or public meeting. We explain the pension/OPEB liabilities and potential solutions in detail, and in a clear and simple to understand manner. We extend this practice throughout the process, as evidence of our risk mitigation analysis through our in-house Monte Carlo simulation which we provide every client prior to the issuance of POBs.

Unlike most traditional financings, POBs take on an additional element – market and timing risk. Although the risk is not unique, it adds a level of complexity and uncertainty to the decision-making process. UFI will address questions about the GFOA Advisory, recent trends in POB issuance, case studies of past POB performance, and perform sensitivity analysis and Monte Carlo simulations to all the questions that your City Council, stakeholders, and the community has about issuing POBs.

We help our clients understand their pension & OPEB liabilities; and analyze and evaluate all available funding strategies.

Pension Focus and Pension Obligation Bond (POB) Experience

UFI is a leader in providing pension advisory and pension modeling services to municipalities in California. Several years ago, Michael Busch, CEO, formed a Pension Focus Group with other public finance professionals, municipalities, and CalPERS staff. UFI has been at the forefront of solving California agencies' pension issues. POBs have experienced a resurgence due to the current low interest rate environment and continuing climb in unfunded pension liabilities across public agencies.

UFI has served as the Municipal Advisor on **14** POBs totaling \$1.5 billion in par value since **2017** (see deal list in **Appendix A**) — all CalPERS agencies. As illustrated in the table to the right, UFI has served on more POB transactions than any other firm (serving as the financial advisor on 32% of the POBs issued since 2017). In addition to the POBs issued, UFI is currently engaged as a Municipal Advisor on 7 POBs with a projected aggregate par amount of \$1.1 billion and another 7 clients who are considering issuing POBs.

Financial Advisor Ranking CA POBs: 2017 - 2021			
Firm	#	Par (\$MM)	%
1 Urban Futures Inc (UFI)	14	1,482.2	32%
2 NHA Advisors	9	1,647.2	20%
3 Harrell & Co Advisors	4	453.0	9%
4 Wulff Hansen	4	63.8	9%
5 Columbia Capital	3	739.8	7%
Various	10	1,547.5	23%
TOTAL DEALS	44	5,933.4	100%

Source: Bloomberg

What differentiates us from our competitors, is our unrivaled technical expertise and understanding of CalPERS' actuarial, legal and administrative policies. As a result, we have been engaged to assist clients with a variety of pension/OPEB-related issues - we have had **11** additional non-POB advisory engagements.

Our Process

UFI uses a systematic approach toward addressing your pension liabilities. We follow a 5-step process:

1. Analyze Pension / OPEB Liabilities

According to CalPERS' most recent actuarial report, dated June 30, 2019, the City's UAL for FY 21-22 is equal to \$120,332,641. UFI has already developed a customized pension model based on the City's 31

Amortization Bases, which includes an individual amortization payment schedule for each amortization base. The pension model serves as the foundation for all of our quantitative analysis, and provides UFI the ability to run a variety of scenarios and make surgical recommendations that optimize savings and/or policy objectives.

2. Evaluate Funding Strategies

Although we have had a preliminary discussion regarding alternative funding options, we anticipate that the City Council will revisit the issue. UFI has presented 6 additional funding strategies to POBs, which could enable the City to address a portion of the City's unfunded pension liability:

<u>Budgeting Approaches</u>	<u>Financing Approaches</u>
• Allocation Amount Funds	• Leveraged Refunding
• Use of Reserves & One-Time Monies	• Tax-Exempt Exchange
• Pension Stabilization Fund	• Pension Obligation Bonds
• Recycling Savings	

important to note that these strategies can be implemented over time and should all be considered as part of a long-term, comprehensive pension management plan to complement a POB financing.

Allocation Among Funds – The City's Water and Sewer Department share \$11.5 million of the City's \$120 million UAL, 6.6% and 3.0%, respectively.

Use of Reserves – The Water Fund has a \$17.3 million fund balance, and the Sewer Fund has a \$11.2 million fund balance. We would strongly encourage to use a portion of these reserves to pay down a portion of their UAL.

Leveraged Refunding – The 2011 Water Bonds present an opportunity to implement a leverage refunding. If the City were to refund the bonds with up front savings, the savings (\$1.4 million) could be used to pre-pay of portion of the Water Fund's \$7.9 million UAL. If applied to Miscellaneous Base #17, the City could eliminate more than \$3.0 million in UAL payments, thus leveraging its savings by more than 222%.

Tax-Exempt Exchange – The third strategy that the City could implement to address its UAL is a tax-exempt exchange. This involved two distinct steps: 1. Issue tax-exempt bonds to finance a previously budgeted "cash" project. 2. Reprogram the monies set aside for the capital project to pre-pay the UAL. The concept is well suited for the Water & Sewer funds' UAL. To the extent that the City funds capital projects from General Fund monies, it should seek to utilize this structure as well.

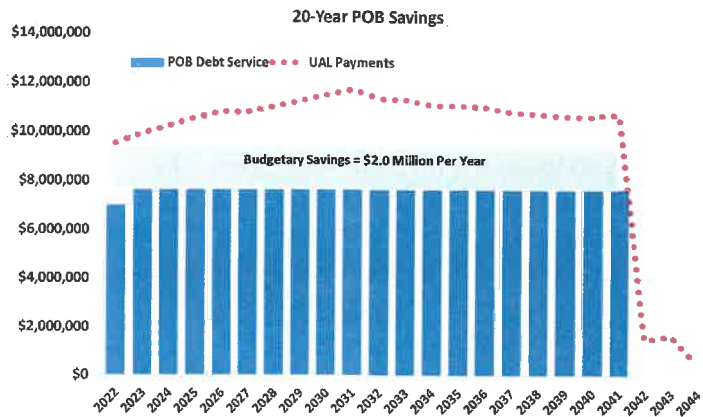
Pension Stabilization Fund - The City has \$7.5 million in a pension stabilization fund. We would recommend that the City keep the balance in the 115 Trust to help offset new bases when they are added and/or to help smooth out UAL payments in the future.

Recycling Savings – The concept of recycling savings simply applies the cash flow savings realized from one of these funding strategies to pay off additional UAL or new bases. We believe that recycled savings is a great enhancement to a pension funding plan; however, it requires a long-term commitment (and follow through) from the City Council. Similar to the impact of a leveraged refunding, recycling savings can amplify savings by more than 100%.

3. POB Analysis

Issuing POBs provides a very compelling economic argument: they refinance an outstanding liability at a much lower interest rate, which can provide significant economic relief. We walk through each of the other strategies to determine if they can be deployed to minimize the size of a POB.

In the accompanying chart we ran a bond sizing for \$110 million POB under current rates (+50 bps). The City would realize nearly \$2.0 million per annum in budgetary savings, which could be recycled to apply toward new bases in the future or pre-pay \$10 million of the outstanding UAL.



4. Stakeholder Education & Communication

We believe that addressing rising retirement costs will be the most significant financial issue that most municipal employees and elected officials will face in their careers. This problem is complex and involves many financial and legal/administrative intricacies. We have found that this issue requires a significant education process before buy-in can be achieved for a recommended solution or plan.

5. Pension Management Plan & Recommendations

UFI will work with the City staff to provide specific and detailed recommendations regarding addressing its retirement costs and needed steps to maintain or improve its financial position.

In developing a comprehensive pension management plan, we strongly recommend that the City implement more than one financial solution. A multiple-funding strategy, by definition, sends CalPERS monies on different dates, which is an inherent risk management strategy (i.e., dollar cost averaging)

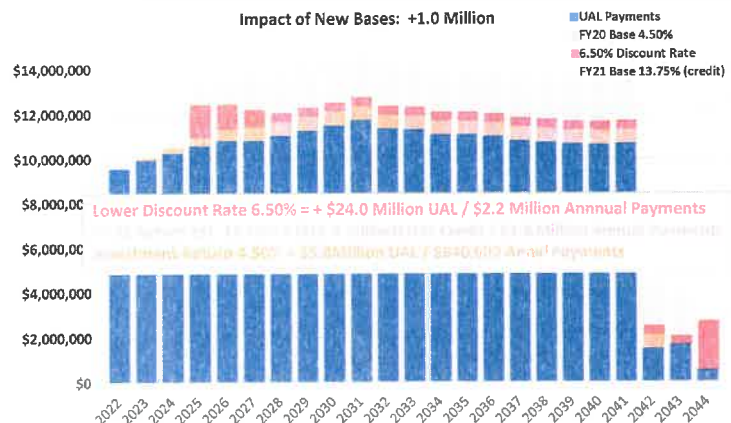
As part of our process, UFI strongly encourages each client adopt a pension funding policy. The policy outlines the City's policy objectives regarding funding its pension liability and strategies that it will implement – it also provides guidelines for issuing POBs. The rating agencies have responded positively to our clients that have adopted such policies: we anticipate that they will be required or strongly encouraged by ratings agencies in the future.

Structuring Considerations

Ultimately, the structure of the POBs will reflect the City's expectation and risk profile. UFI commences with the objective of trying to minimize the size of a POB issue, and to mitigate timing risk. As discussed earlier, we would recommend that the City use a combination of reserves, tax-exempt exchange and leveraged refunding to address the Water & Sewer fund's share of the UAL (~\$11.5 million). However, this still leaves the \$110 million UAL that needs to be addressed – most likely with POBs.

New Bases - CalPERS earned a net return of 4.50% for the period ending June 30, 2019 (FY20). As a result of falling short of the 7.0% target rate, CalPERS will add \$5.8 million to the UAL, requiring \$640,000 in additional annual UAL payments.

CalPERS has intimated for the past few years that it is likely to lower the Discount Rate again. The cost of lowering the Discount rate to 6.50% would increase the UAL by \$24 million or \$2.2 million per annum. A few have also added that this action would most likely be coupled with a significant market gain.



CalPERS YTD return is 13.75%. If CalPERS is able to retain this investment return, the City would receive a \$16.5 million credit toward its UAL. The investment credit would offset a significant portion of the new base for a change it assumes.

Together the 3 bases (FY 20 return, FY 21 return & Discount rate) would net approximately \$1.0 million in annual UAL payments.

Multiple Tranches - Although the interest rate outlook remains generally positive for the issuance of POBs, we anticipate that the City will be concerned with subsequent investment of POB proceeds. The ideal time to issue POBs is after a market correction.

The current premium for an at-the-money 1-year put on the S&P 500 has nearly doubled from 3.5% to 6.0%. This data point indicates a market sentiment for a market correction in the future. It is very difficult to time the market successfully. For this reason, many investors implement a dollar-cost strategy (investing over regular intervals).

We will work with the City to run multiple scenarios, including Monte Carlo simulations to determine the probability of success (discussed further below).

Base Selection Strategy – Should the City determine to issue multiple POBs; a Base Selection strategy is critical. In the majority of cases, we would recommend that the City commence by targeting the long-term bases for 2 reasons: 1. Targeting long-term bases locks-in and maximizes the savings, and 2. The remaining short-term bases will have a shorter duration. By “rolling down the curve” on subsequent bond issues, the City will mitigate the impact of rising interest rates.

Value of 1 bps – If the City decides to issue multiple tranches of POBs to implement a dollar cost averaging strategy it will need to compare two competing factors: borrowing rates vs investment returns. In other words, the City will need to compare the impact of rise in borrowing rates compared to investment performance. The value of a 1 bps change in the borrowing rate is equal to \$98,770.

The impact of a 100 bps increase in rates ~\$10.0 million increase in borrowing costs or, alternatively a 4.2% decline in market value. When added to the opportunity cost of waiting, which takes the differential between the Discount Rate and the Borrowing Rate (e.g., 7.0% - 3.50% = 3.50%), then the City can establish a break-even metric. A 100 bps increase in borrowing rates would have the same financial impact as a 7.0% portfolio loss or 0% return.

Financing Schedule & Bond Execution

Michael Busch, engagement lead, will be facilitating the bond execution process and the schedule throughout the City's proposed financings. The issuance of POBs is more involved and takes longer than a traditional bond offering, primarily because POBs require a judicial validation to obtain legal authority to issue bonds. The validation process takes between 3-6 months to complete but the financing process can begin before the validation process is complete. UFI will manage the schedule and coordinate with all parties on call times and availability. We have provided a preliminary schedule in **Appendix B** for both the validation and financing processes of issuing a POB. This schedule will depend on the start date of the validation process along with the targeted council meetings. Michael Busch will work closely with the City to determine which council dates will work best and the UFI team will draft any necessary staff reports, policies, and presentations. Please refer to **Appendix E** for an illustration of UFI's approach to executing bond transactions.

RFP for Underwriters

As more issuers in California issue POBs, investors feel more comfortable and underwriter discounts have tightened. We believe that selecting an underwriter via an RFP process or on a limited quote basis results in lower fees for our clients. We have compared the discounts for the underwriters selected via an RFP process and those selected directly which resulted in the average underwriter's discount was \$2.52 per bond for transactions which utilized an RFP process, and \$4.07 per bond without (see **Appendix E** for an illustration). We recently completed an evaluation of underwriter proposals for a proposed \$73M POB, with fees ranging from \$2.25 to \$3.40. Because our modeling and approach to pricing is so precise, we believe underwriter proposals reflect our understanding of a complex process, and as such, we consistently deliver the lowest cost of financing with great results.

While the City is going through the validation process, UFI will draft an Underwriter RFP for the City and facilitate the process of selecting an underwriter by reviewing and analyzing the responses. UFI has experience working with multiple underwriting firms in issuing POBs and understands the importance of selecting the firm that will best serve the City's needs. We believe our analysis and experience will serve as a benefit in the selection process and provide the City with a valuable opinion on the top candidates. Lastly, we will coordinate and facilitate the underwriter interviewing process, should the City wish to proceed with interviews.

Timing & Sizing of Issue + Risk Mitigation Measures

The primary risk associated with POBs is the impact of timing and market returns. In other words, exacerbating the loss of making a large 1-time investment and then experiencing a market downturn. It is important to note that the investment of POB proceeds enhances or leverages both "upside" and "downside" of the investment portfolio returns, especially in the initial years.

The concept of dollar cost averaging (i.e., making periodic investments over time) is a common mechanism used by the investment market to address market timing issues. Creating a long-term Pension Management Plan with multiple funding strategies over several years, inherently employs dollar cost averaging. Similarly, the City could issue POBs in multiple tranches, over several years. The counter argument to this approach is that the City would then assume interest rate risk on the bonds.

Nonetheless, the size of the issue is critical. The Corporate Bond Market is much larger than the Taxable Municipal Bond Market (\$11.1 trillion vs \$585.8 billion), and therefore investors are accustomed to much larger issues – the larger sizes enhance liquidity and facilitates secondary market trading.

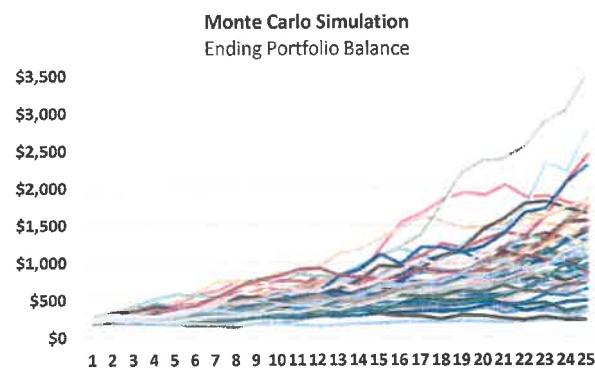
Risk Analysis- POBs are not without risk, primarily market timing risk: the impact of making a significant 1-time payment to CalPERS. Although the cash flow savings from a POB are known up front, the net impact from a POB

must also consider CalPERS' market performance after the bonds are issued – we cannot determine the full financial impact of a POB until the bonds have matured.

Specifically, the risk is to issue POBs, then deposit the monies with CalPERS at the peak of the market then experience a decline. In such case, you are not able to take advantage of the power of compounding and could lose a significant portion of your savings.

To determine a break-even point, we perform interest rate Stress Testing. The City would “break-even”, if CalPERS were to either lose 20% in the first two years or return 5.0%, on average. Stress testing provides a great framework for understanding your risk parameters, but it is limited by running simple analyses. UFI has developed a proprietary Monte Carlo POB Simulation, which can determine an estimated likelihood of success.

Monte Carlo Simulation - Monte Carlo simulation is a finance industry tool used to run several scenarios, based on randomly generated interest rates to determine the potential outcome of a future event. In this case, the model produces random portfolio rates over a 25-year period, comparing the ending portfolio value under a POB versus regularly scheduled UAL payments, also incorporating POB savings and additional bases, discounted back at 7.0% rate. The model generates 10,000 scenarios to determine an expected value or probability of success.



Under current market conditions, when we run a Monte Carlo simulation for a POB, that projected likelihood of success (positive ending value) is typically greater than 80%.

Pension Obligation Bonds (POBs) Pricing Analysis

POBs are taxable municipal bonds and can be categorized as hybrid securities: they have a serialized bond structure and can have a 10-year par call (we almost never recommend issuing non-callable POBs) similar to municipal bonds but are taxable and priced off a spread to Treasuries like corporate bonds.

Most Underwriters and Financial Advisors develop a pricing scale based on “comparables” and assert that the process is part “art and science”. We take a more quantitative approach and develop our own independent perspective on pricing. To provide effective guidance on bond pricing, we independently assess the market price.

We utilize a two-method approach: 1. Secondary Market Trading and 2. POB Spread Analysis. The discussion of the methodology and analysis below illustrates our in-depth understanding of POB pricing dynamics.

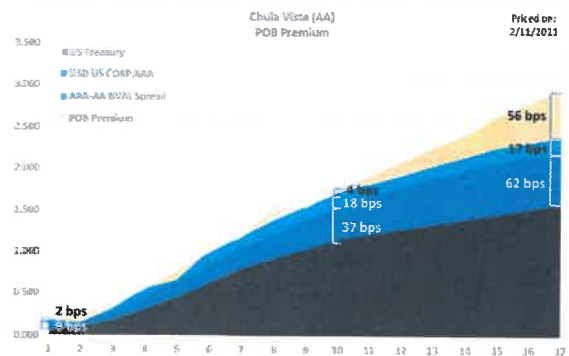
Secondary Market Trading – UFI starts with the comparables as a baseline, then adjust based on supporting secondary market trading information. We examine secondary market trading data posted on Bloomberg and EMMA to establish true pricing spreads.

City of Chula Vista Pension Obligation Bond - Secondary Market Trading							
		Par Amount	Trade	Trade %	# Trades	Avg.	Min Max
6	2027	9,715	250	2.57%	1	-6	-6 -6
7	2028	10,030	300	2.99%	1	-23	-23 -23
8	2029	10,375	500	4.82%	1	4	4 4
13	2034	15,100	1,000	6.62%	1	-47	-47 -47
14	2035	15,950	7,000	43.89%	2	-49	-49 -49
15	2036	16,530	3,530	21.36%	3	-57	-58 -57
16	2037	17,360	5,000	28.80%	2	-70	-81 -63
20	2041	38,525	2,000	5.19%	1	0	0 0
20	2041 (Ins)	38,000	7,500	19.74%	2	-4	-6 -2
24	2045	51,365	7,250	14.11%	4	1	-13 2
TOTAL		\$ 350,025	\$ 34,330	10%	18		

In one of our recent POB transactions for the City of Orange (March 3, 2021), the underwriter used Chula Vista as the comparable since it priced three weeks earlier – February 11th. However, secondary market data revealed

that bond prices had significantly increased since the primary offering, resulting in spreads that were 50-70 basis points tighter in the belly of the curve (around years 13 – 16).

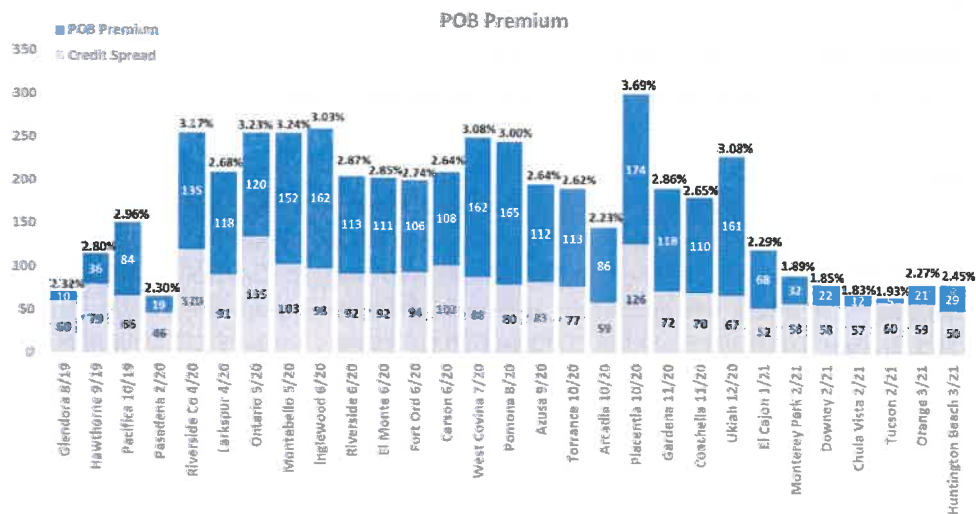
POB Spread Analysis – When evaluating the spread to Treasuries, we bifurcate the analysis into 2 component parts: credit spread and the POB yield premium. We start by subtracting the corresponding BVAL Corporate Bond curve (e.g., AA BVAL on Bloomberg), which adjusts for the corresponding rating to get the POB spread for the bond. Effectively, investors have priced in the term structure of rates in the Treasury yield curve; therefore, the remaining POB Spread reflects the required premium for this class of securities (i.e., POBs).



We combined both elements for Orange's pre-pricing and determined that the initial spreads were 5-10 bps too high, which we communicated to the underwriter. Armed with this analysis, we were able to successfully push the underwriter to tighten their proposed pricing for Orange. The final pricing was right on top of our independent assessment.

Prior to COVID, credit spreads were more compressed. Afterwards, we saw a general widening across the board. Recently, POB spreads have come back down, especially in the short end for retail investors and the long end for mutual funds, as illustrated in the accompanying chart.

POBs are now pricing on top of taxable GO bonds, especially a highly rated (AA) credit like the City of Upland.



UFI's comprehensive pricing analysis has not only allowed us to negotiate tighter spreads resulting in savings, but our pricing analysis and execution has proven effective and consistent as we have issued 7 of the 10 lowest TICs of all POBs issued in CA since 2017. Please see Appendix E for a chart that illustrates this point.

Our clients have benefited with significant savings between pre-pricing and final pricing due to our pricing analysis. We pride ourselves on our ability to understand the market and use that information to our client's benefit. UFI's

pricing experience illustrates our ability to push for lower True Interest Cost (TICs) and continuously provide some of the lowest all-in financing costs to the issuer. This kind of market analysis and understanding provides a significant benefit to the City as they will need a municipal advisor to negotiate on their behalf throughout the pricing process.

Assigned Staff

The team assigned to the City's financing assignment has over 60 years of combined experience. Michael Busch, Julio Morales, and Tim Frydendall are located in the corporate office in Tustin, California. **Michael Busch**, CEO; **Julio Morales**, Director; and **Tim Frydendall**, Analyst – draw on years of experience and various areas of specialty, including credit analysis, complex financing structures, and pricing execution. This proposed team has been involved in the issuance of **14 POBs totaling over \$1.5 billion**, with seven of the ten lowest recorded TICs of all POBs issued in CA since 2017. We also have additional support staff and professionals with areas of expertise in post-issuance compliance, pension strategies, and financial forecasting, who can serve as valuable resources as necessary. Provided below is a summary of the team members' roles in service to the City followed by our core competencies and full bios can be found in **Appendix D**.

- **Michael Busch** will serve as the Project Lead -he will ensure that the full resources of the firm will be available to the City. Michael will lead the execution of the City's bond financing. He will be responsible for overseeing the bond execution process: helping to assemble the financing team, assist with RFP for underwriters, coordinating the financing schedule, and coordinating the credit presentation. Mike will work in tandem with Julio to lead the discussion regarding POB risks, timing and structuring issues.
- **Julio Morales** will continue to provide the quantitative analysis and modeling for pension bond financing(s). Julio will work in tandem with Mike to lead the discussion regarding POB risks, timing and structuring issues. Julio will continue to attend all council meetings and workshops to answer all questions on the proposed financing, CalPERS policies, and POB risks and how to address them.
- **Tim Frydendall** will provide research and analytical support and assist with the pricing execution of financings. Tim retains up-to date information on all POBs issued in California, calculates and tracks trends in POB pricing premiums, and performs secondary market POB trading research. Tim will also manage the schedule/distribution, coordinate Zoom calls, and facilitate the bond closing.

POB Transactions

UFI is ranked as the #1 Municipal Advisor in California for the number of POBs issued since 2017 and has served as municipal advisor in **19 POB financings** since 2005 totaling **\$1.6 Billion** in par. In 2020, UFI was engaged as the Municipal Advisor with **6 Cities** that resulted in the issuance of a POB: Coachella, Arcadia, Azusa, Pomona, Inglewood, and Pasadena. In 2021, UFI guided an additional **3 Cities** through the issuance of POBs: El Cajon, Monterey Park, and Orange. For POBs issued in 2020 and 2021, UFI has issued \$631 Million and \$540 Million in par, respectively.

Please refer to **Appendix A** to see a full list of all 19 POBs UFI has served as municipal advisor along with the additional 7 clients UFI is currently working with on issuing POBs.

References

Please see **Appendix C** for our four references, the Cities of Arcadia, Azusa, Orange, and El Cajon, of where UFI has served as the Municipal Advisor on the issuance of a POB that is both a similar financing and credit as that of the City's. We encourage you to contact any of our references to discuss their experience and satisfaction with Urban Futures.

3. Fee Proposal

UFI proposes the following fees for pension advisory engagements contemplating the issuance of pension obligation bonds.

DEVELOP COMPREHENSIVE MANAGEMENT PLAN & BOND ISSUANCE

After we develop the pension model, we begin the development of a comprehensive management plan for addressing the City's unfunded pension liabilities concurrently with the bond issuance process including the following tasks:

- Validation Document Development and Presentation
- Scenario Analysis & Development of Strategies
- Pension Funding Policies, Memorandums, Workshops, & Presentations - City Council & Stakeholders
- Strategic Risk Assessment & Analysis (Monte Carlo Simulation)
- Drafting of Financing Documents of Preliminary Official Statement and Presentation
- Bond Pre-Pricing and Pricing Comparables and Market Analysis
- Bond Issuance Closing and Final Bond Pricing/Savings Analysis & Report Development

Our proposed fees for municipal advisory services, which include a credit for Phase 1 services, will be per transaction for Pension Obligation Bonds:

\$100-\$125 Million	\$60,000
\$75-\$100 Million	\$50,000
\$50-\$75 Million	\$40,000
\$20 - \$50 Million	\$30,000

Our flat fee for Phase 1 was our commitment to provide cost effective services to the City. The opportunity to complete Phase 2 is very important to us. We respectfully request an opportunity to negotiate compensation if fees are the ultimate decision factor in the selection process.

Financial Advisor fees are contingent and exclusive of out-of-pocket expenses such as travel, meals, data recovery, business, third party data fees, business licenses, applications, internal compliance requirements, and other City fees. **Out-of-pocket expenses will not exceed \$2,500.**

Appendix A: Experience

Summarized below are our past and current pension modeling/advisory engagements as well as pension obligation bond financings. The table below represents UFI's clients who have issued POBs where UFI was the Municipal Advisor on the transaction.

Client	Date	Par Amount	Pension Model	POB
City of Orange	3/3/2021	\$286,485,000	✓	✓
City of Monterey Park	2/2/2021	\$106,335,000	✓	✓
City of El Cajon	1/13/2021	\$147,210,000	✓	✓
City of Coachella	12/8/2020	\$17,590,000	✓	✓
City of Arcadia	11/12/2020	\$90,000,000	✓	✓
City of Azusa	9/17/2020	\$70,075,000	✓	✓
City of Pomona	8/13/2020	\$219,890,000	✓	✓
City of Inglewood	6/2/2020	\$101,620,000		✓
City of Pasadena	2/5/2020	\$131,805,000		✓
City of Glendora	9/5/2019	\$64,420,000	✓	✓
City of Monrovia	11/30/2017	\$111,545,000		✓
City of Inglewood	10/31/2017	\$52,795,000		✓
City of Pomona	6/30/2017	\$50,475,000		✓
City of Riverside	5/24/2017	\$31,960,000		✓
City of Fountain Valley	8/19/2015	\$16,000,000		✓
City of San Ramon	1/21/2010	\$17,650,000		✓
City of Azusa	12/23/2008	\$7,215,000	✓	✓
City of Colton	8/8/2007	\$31,149,400		✓
City of San Bernardino	10/1/2005	\$50,401,583	✓	✓
Total		\$1,604,620,983		

In the Process of Issuing POBs

The table below represents the current clients that are in the process of issuing pension obligation bonds. UFI has been engaged to serve these clients and is working through the validation process.

Client	Date	Par Amount*	Pension Model	POB
City of San Fernando	April 2021	\$45,000,000	✓	✓
City of El Cajon	July 2021	\$65,000,000	✓	✓
City of Covina	July 2021	\$72,000,000	✓	✓
City of Bell	TBD	\$70,200,000	✓	✓

City of Sanger	TBD	\$21,806,000		✓
City of Santa Ana	TBD	\$671,000,000	✓	✓
City of Whittier	TBD	\$143,000,000	✓	✓
Total		\$1,088,006,000		

Considering POBs

The table below represents the clients that have engaged UFI for financial advisory and pension modeling services. Due to the conclusions drawn from the pension model, these clients are considering issuing POBs soon.

Client	Date	UAL Amount	Pension Model	POB
City of Alameda	In Process	\$277,000,000	✓	TBD
City of Culver City	In Process	\$262,000,000	✓	TBD
City of San Gabriel	In Process	\$73,000,000	✓	TBD
City of Santa Fe Springs	In Process	\$120,000,000	✓	TBD
City of San Jose	In Process	\$1,400,000,000	✓	TBD
City of Commerce	In Process	\$31,000,000	✓	TBD
City of Pico Rivera	In Process	\$41,000,000	✓	TBD
Total		\$2,204,000,000		

Pension Modeling and Other Pension Funding Solutions

Below is a list of clients that have engaged UFI for pension modeling services to evaluate viable financing solutions, assisting in developing a comprehensive management plan, and drafting formal written pension funding policies.

- Los Angeles County Sanitation Districts
- Placer County Water Agency
- City of Desert Hot Springs
- San Gabriel Valley COG
- Mid-Peninsula Water District
- City of South San Francisco
- Rowland Water District
- Beaumont Cherry Valley Water District
- South Orange County Wastewater Authority
- Walnut Valley Water District
- Camrosa Water District

Appendix B: Proposed POB Financing Schedule



**City of Upland
 Pension Obligation Bonds, Series 2021
 Preliminary* Validation Schedule**

April							May							June							July						
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
				1	2	3						1			1	2	3	4	5					1	2	3	
4	5	6	7	8	9	10	2	3	4	5	6	7	8	6	7	8	9	10	11	12	4	5	6	7	8	9	10
11	12	13	14	15	16	17	9	10	11	12	13	14	15	13	14	15	16	17	18	19	11	12	13	14	15	16	17
18	19	20	21	22	23	24	16	17	18	19	20	21	22	20	21	22	23	24	25	26	18	19	20	21	22	23	24
25	26	27	28	29	30		23	24	25	26	27	28	29	27	28	29	30				25	26	27	28	29	30	31
							30	31																			

August							September							October							November						
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
1	2	3	4	5	6	7			1	2	3	4				1	2					1	2	3	4	5	6
8	9	10	11	12	13	14	5	6	7	8	9	10	11	3	4	5	6	7	8	9	7	8	9	10	11	12	13
15	16	17	18	19	20	21	12	13	14	15	16	17	18	10	11	12	13	14	15	16	14	15	16	17	18	19	20
22	23	24	25	26	27	28	19	20	21	22	23	24	25	17	18	19	20	21	22	23	21	22	23	24	25	26	27
29	30	31					26	27	28	29	30			24	25	26	27	28	29	30	28	29	30				
														31													

Council Meeting (2nd and 4th) Monday
 Holiday

Date	Milestone Event
Week of April 19 th	Commence Resolution and Bond Documents
Monday, May 10 th	City Council approval of: Resolution and Bond Documents for Validation, Bond Counsel, and MA <i>San Bernardino</i>
Week of May 10 th	File Validation Action with Los Angeles County Superior Court (1 – 2 weeks)
Week of May 24 th	Receive Order for Publication of Summons from the Court (3 – 6 weeks) <ul style="list-style-type: none"> • Receive filed complaint and courtroom assignment (1 – 2 weeks) • Schedule Ex Parte application (1 week) • Court issues summons (2 – 3 weeks)
Week of July 5 th	Publication in Local Periodical of General Circulation <ul style="list-style-type: none"> • 21 consecutive days, plus 10 additional days for response deadline to run
Week of August 9 th	Waiting period to file petition (Request for Entry of Default) (2 – 6 weeks)
Week of September 20 th	Clerk enters hearing for a default judgement (15 – 30 days)
Week of October 18 th	Hearing for Default Judgment
Week of October 18 th	30-Day Appeal Period begins
Week of November 17 th	30-Day Appeal Period ends

**Schedule is subject to change due to the availability of the courts and the dates selected to go to Council*

City of Upland
Pension Obligation Bonds, Series 2021
Preliminary* Financing Schedule

September							October							November							December						
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
			1	2	3	4						1	2		1	2	3	4	5	6				1	2	3	4
5	6	7	8	9	10	11	3	4	5	6	7	8	9	7	8	9	10	11	12	13	5	6	7	8	9	10	11
12	13	14	15	16	17	18	10	11	12	13	14	15	16	14	15	16	17	18	19	20	12	13	14	15	16	17	18
19	20	21	22	23	24	25	17	18	19	20	21	22	23	21	22	23	24	25	26	27	19	20	21	22	23	24	25
26	27	28	29	30			24	25	26	27	28	29	30	28	29	30					26	27	28	29	30	31	
							31																				

 Council Meeting (2nd and 4th) Monday
 Holiday

Date	Milestone Event
Week of September 20 th	Kick-Off Call on TBD
Week of September 27 th	Circulate 1 st Draft of POS and Rating Presentation
Monday, October 18 th	Agenda deadline for City Council meeting on 10/25
Monday, October 25th	City Council Approval for Underwriter and Pension Funding Policy
Week of October 18 th	Validation Hearing TBD 30-Day Appeal Period begins
Week of November 1 st	Revise POS & Rating Presentation
Week of November 15 th	Send rating package
Monday, November 15 th	Agenda deadline for City Council meeting on 11/22
Monday, November 22nd	City Council Approval for POS and POB Amount
Week of November 22nd	Rating Presentation
Week of November 17th	30-Day Appeal Period ends
Week of November 29 th	Receive Bond Rating Post POS Market Update Call
Week of December 6th	Pricing
Week of December 20th	Close Bonds

****Schedule is subject to change due to the timing of the validation process and the dates selected to go to Council***

Appendix C: References

Name of Client:	City of Arcadia
Lead Consultant to Client:	Michael Busch/Julio Morales
Contact Name(s)/Title(s)	Hue Quach, Director of Administrative Services
Street Address	240 West Huntington Dr., P.O. Box 60021, Arcadia, CA 91066
Contact Phone Number(s)	(626) 574-5425
Contact Email(s)	hquach@arcadiaca.gov

Name of Client:	City of Orange
Lead Consultant to Client:	Michael Busch
Contact Name(s)/Title(s)	Will Kolbow, Assistant City Manager/Administrative Services Director
Street Address	300 E. Chapman Ave., Orange, CA 92866
Contact Phone Number(s)	(714) 744-2235
Contact Email(s)	wkolbow@cityoforange.org

Name of Client:	City of El Cajon
Lead Consultant to Client:	Julio Morales
Contact Name(s)/Title(s)	Clay Schoen, Director of Finance
Street Address	200 Civic Center Way, El Cajon, CA 92020
Contact Phone Number(s)	(619) 441-1668
Contact Email(s)	cschoen@cityofelcajon.us

Name of Client:	City of Azusa
Lead Consultant to Client:	Michael Busch
Contact Name(s)/Title(s)	Talika Johnson, Director of Administrative Services
Street Address	213 E Foothill Boulevard, Azusa, CA 91702
Contact Phone Number(s)	(626) 812-5202
Contact Email(s)	tjohnson@azusaca.gov

Appendix D: Professional Biographies

Michael Busch, Chief Executive Officer

Michael Busch is the firm's Chief Executive and Strategy Officer. He's an accomplished municipal executive and public finance professional who has helped manage several public agencies as an assistant city manager and finance director. Michael has also applied his diverse leadership experiences with a number of professional organizations, as former President of the Municipal Management Association of Southern California (MMASC), former Chair of Cal-International City/County Management Association (Cal-ICMA) and Founding Member of the California Utility Executive Management Association (CUEMA).



Through his leadership of UFI and engagement with professional organizations, Michael helps cities, counties, special districts and nonprofits across the State of California identify emerging trends, engage in critical policy issues, exchange proven practices, and advance their missions through sound fiscal and operational policy.

During his 12-year tenure with UFI, numerous public agencies have engaged Michael as both a strategic consultant and municipal advisor based on his public finance expertise and broad understanding of fiscal issues affecting the public sector. Michael's engagements include over 60 public agencies throughout California and recently include the cities of Culver City, Santa Ana, Glendora, Arcadia, Pomona, Coachella, Desert Hot Springs, Monrovia, Artesia, Cudahy, Menifee, Salinas, Santa Fe Springs, Beaumont, Lake Elsinore, Covina, and Azusa as well as several special districts including Camrosa Water District and Rowland Water District. Additionally, Michael was the lead municipal advisor and public finance expert for the City of San Bernardino, helping to guide the city through its Chapter 9 bankruptcy restructuring, including providing written and oral testimony in the federal mediation and bankruptcy proceedings.

Mr. Busch holds a Bachelor of Arts degree in Urban and Regional Planning from California State Polytechnic University, Pomona, and a Master of Public Administration degree (Finance and Public Works emphasis) from California State University, Long Beach.

Julio Morales, Director (*Pension/OPEB Analytical Solutions*)

Julio Morales heads UFI pension advisory practice, focusing full-time on addressing pension and OPEB liabilities. Mr. Morales has developed a proprietary pension forecasting model, based on individual CalPERS amortization bases. His current pension modeling, POB, and pension/OPEB advisory clients include the Cities of Glendora, Culver City, San Fernando, Pomona, Simi Valley, South San Francisco, Alameda, El Cajon, Azusa, and Arcadia. Mr. Morales has spoken at numerous CSMFO, CSDA, and ACWA conferences on pension-related issues.



Prior to joining UFI, Mr. Morales worked for the Department of the Treasury's Office of Technical Assistance (OTA), providing financial advice to the Treasurer of Paraguay. Mr. Morales has nearly 25 years of broad-based corporate and public finance experience, serving as a financial advisor at PFM and Fieldman Rolapp, an investment banker with Bank of America, derivative/ investment provider for Transamerica, and also served as the debt manager for the City of Oakland and Economic Development Coordinator for the Housing Authority of the City of Los Angeles (HACLA).

Mr. Morales previously served as the City Manager for the City of Huntington Park, having also served as its Finance Director and Treasurer. Mr. Morales also served as the Finance Director and Treasurer for the City of El Monte. Mr. Morales helped both cities to implement a number of changes and improvements to eliminate significant structural deficits.

Mr. Morales earned his undergraduate degree from the University of Michigan, a Master of Public Policy (MPP) from the Harvard Kennedy School of Government, and an MBA from UCLA as a Dean's Fellowship Recipient.

Tim Frydendall, Analyst (*Transaction and Execution Support*)

Mr. Frydendall joined UFI in 2018. He is proficient with UFI's pension model and has served as an integral member in UFI's recent pension obligation bond issuances. Mr. Frydendall has provided analytical support on the issuance of Pension Obligation Bonds for the following clients: Glendora, Arcadia, Coachella, and El Cajon. He provided a pricing analysis for the City of Coachella which allowed Mr. Morales and Mr. Busch to successfully negotiate lower yields and significant savings for the City



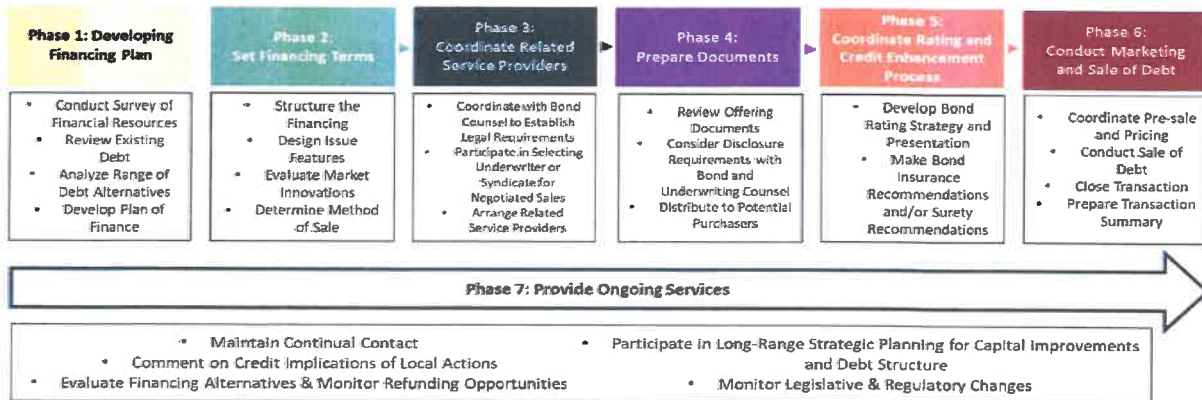
Outside of his pension experience, Mr. Frydendall's prior engagements at UFI include financial analysis and administrative support for the Calipatria Successor Agency, Camrosa Water District, cities of Culver City, Pomona, Simi Valley, Cupertino, and Azusa, and charter schools located in California, Arizona, Nevada, Louisiana, and New York.

Mr. Frydendall previously worked in public accounting as an auditor at Vasquez & Co. LLP for municipal, non-profit, and for-profit clients. He graduated from California State University, Long Beach, receiving a bachelor's in accounting.

Appendix E: Additional Information

Bond Execution

As financial advisor to the City for bonds issued in relation to addressing the City's retirement costs, we have outlined below our general approach to executing bond transactions:



UFI will review the City's current financial standing in every aspect, including but not limited to strategic funding options to reduce the proposed par amount of a POB.

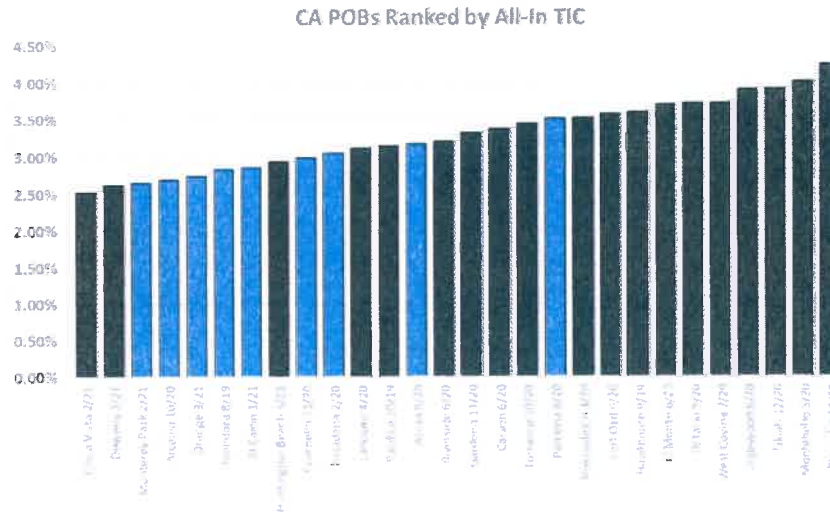
Underwriter RFP Analysis

In the table below, we have compared the discounts for the underwriters selected via an RFP process and those selected directly. The issues in dark blue used an RFP process to select their underwriters, while the issues in light blue did not. The average underwriter's discount was \$2.52 per bond for transactions which utilized an RFP process, and \$4.07 per bond without.

	1/4/2021	11/24/2020	11/19/2020	10/27/2020	10/12/2020	9/14/2020	8/10/2020	6/8/2020	6/8/2020	6/18/2020	6/8/2020	6/1/2020	4/27/2020	4/20/2020
	\$150	\$101	\$18	\$90	\$350	\$70	\$220	\$119	\$21	\$20	\$108	\$432	\$18	\$720
	El Cajon	Gardena	Coachella	Arcadia	Torrance	Azusa	Pomona	El Monte	El Monte	North County Fire	Carson	Riverside	Larkspur	Riverside County
Underwriter	BofA	BofA / Stifel	Ramirez	Stifel	Morgan Stanley	BofA	RBC	Ramirez	Raymond James	Brandis Tallman	Cabrera	BofA	DA Davidson	Raymond James
Discount	\$2.25	\$2.52	\$7.67	\$3.00	\$3.23	\$3.50	\$3.70	\$6.40	\$7.00	\$7.00	\$6.75	\$2.42	\$5.00	\$4.51
FA	UFI	NHA	UFI	UFI	NHA	UFI	UFI	NHA	NHA	NHA	Harrell	NHA	Wulff Hansen	Columbia Capital
Average RFP	\$2.52													
Average Non-RFP	\$4.07													

Pricing Analysis – Ranking of POBs by All-In TIC

In the chart below, the light blue bars indicate the deals that UFI served as the municipal advisor and ranks the deals by All-In TIC from lowest to highest.



Regulatory Disclosure

Disclosure of Conflicts of Interest and Legal or Disciplinary Events. Pursuant to Municipal Securities Rulemaking Board ("MSRB") Rule G-42, on Duties of Non-Solicitor Municipal Advisors, Municipal Advisors are required to make certain written disclosures to clients and potential clients which include, amongst other things, Conflicts of Interest and any Legal or Disciplinary events of Urban Futures, Inc. ("UFI") and its associated persons.

Conflicts of Interest. Compensation. UFI represents that in connection with the issuance of municipal securities, UFI may receive compensation from an Issuer or Obligated Person for services rendered, which compensation is contingent upon the successful closing of a transaction and/or is based on the size of a transaction. Consistent with the requirements of MSRB Rule G-42, UFI hereby discloses that such contingent and/or transactional compensation may present a potential conflict of interest regarding UFI's ability to provide unbiased advice to enter into such transaction. This conflict of interest will not impair UFI's ability to render unbiased and competent advice or to fulfill its fiduciary duty to the Issuer.

It should be noted that other forms of compensation (i.e., hourly or fixed fee based) may also present a potential conflict of interest regarding UFI's ability to provide advice regarding a municipal security transaction. These other potential conflicts of interest will not impair UFI's ability to render unbiased and competent advice or to fulfill its fiduciary duty to the Issuer.

Other Municipal Advisor Relationships. UFI serves a wide variety of other clients that may from time to time have interests that could have a direct or indirect impact on the interests of another UFI client. These other clients may, from time to time and depending on the specific circumstances, have competing interests. In acting in the interests of its various clients, UFI could potentially face a conflict of interest arising from these competing client interests. UFI fulfills its regulatory duty and mitigates such conflicts through dealing honestly and with the utmost good faith with its clients.

If UFI becomes aware of any additional potential or actual conflict of interest after this disclosure, UFI will disclose the detailed information in writing to the issuer or obligated person in a timely manner.

Legal or Disciplinary Events. UFI does not have any legal events or disciplinary history on UFI's Form MA and Form MA-I, which includes information about any criminal actions, regulatory actions, investigations, terminations, judgments, liens, civil judicial actions, customer complaints, arbitrations and civil litigation.

The Issuer may electronically access UFI's most recent Form MA, and each most recent Form MA-I filed with the Commission at the following website: www.sec.gov/edgar/searchedgar/companysearch.html.

There have been no material changes to a legal or disciplinary event disclosure on any Form MA or Form MA-I filed with the SEC. If any material legal or regulatory action is brought against UFI, UFI will provide complete disclosure to the Issuer in detail allowing the Issuer to evaluate UFI, its management and personnel

EXHIBIT B

Schedule of Charges/Payments

Contingent. There will be no retainer for municipal advisory services for pension-related bond transactions. Fees for financial advisory services on bond issuances are contingent on the success of the financing of the bond issuance and will be invoiced at the end of transaction. If for any reason the transaction does not proceed as anticipated, City and Consultant shall negotiate an appropriate fee for the services based upon the hourly rates of the employees of Consultant involved.

Amount of Payment. The proposed fees for municipal advisory services will be per transaction for Pension Obligation Bonds as follows:

Pension Obligation Bond Amount	Amount of Payment (includes Phase 1 Credit)
\$100-\$125 Million	\$60,000
\$75-\$100 Million	\$50,000
\$50-\$75 Million	\$40,000
\$20-\$50 Million	\$30,000

Phase 1 Credit. Consultant charged a fixed \$5,000 fee for modeling and analyzing the City's pension and OPEB liabilities ("Phase 1"). This \$5,000 fee is credited back to the City if bonds are issued. The per transaction fees outlined above include the Phase 1 credit for Consultant's execution of these services.

Out-of-Pocket Expenses. Out-of-pocket expenses include the following items: travel, meals, data recovery, business, third party data fees, business licenses, applications, internal compliance requirements, and other City fees. Out-of-pocket expenses shall not exceed \$2,500.